nkdf

Nechako-Kitamaat
Development Fund Society

2004 – 2005
Annual Report

May 2005

The Society can be reached at:
c/o Manager, Dan Boudreau
Box 101, Station A, Prince George, BC, V2L 4R9
Phone: 250-964-4066 Fax: 250-964-4068 Toll free: 877-478-3953
E-mail: manager@nkdf.org Web-site: www.nkdf.org

NKDF Annual Report

nkdf

Nechako-Kitamaat
Development Fund Society

2005-2006 ANNUAL REPORT

Table of Contents

1. **Report From The Chair** 3

2. **Society Overview** 4
   - 2.1 Mandate 4
   - 2.2 Background of the Fund 4
   - 2.3 Investment Area 4
   - 2.4 Guiding Principles of the Fund 5
   - 2.5 Society Management 6
   - 2.6 Government Relations 6

3. **Goals and Achievements** 7
   - 3.1 Operations 7
   - 3.2 Programs 8

4. **Grants Program Details** 9

5. **Project Descriptions, sorted by location (East to West)** 10
   - Vanderhoof Projects 10
   - Fort Fraser / Fraser Lake Projects 11
   - Burns Lake / Southside Projects 12
   - Kitamaat Projects 14
   - Regional Projects 16

6. **Financial Highlights as of March 31, 2005** 17

Appendix A: Audited Financial Statements 18

1. Report From The Chair

The Nechako Kitamaat Development Fund Society has completed another challenging year. More difficult economic times throughout the investment area has created new challenges in meeting funding objectives for worthwhile projects.

The first focus of this past year was the advertising, interviewing and hiring of a new manager after the resignation of Lisa Dunn. Dan Boudreau of Prince George was hired to take on the Managers position. This resulted in moving the office from Terrace to Prince George. The training of the new manager and the costs involved with the moving of the office has resulted in higher than normal management fees for the past fiscal year.

The function of the Society has continued with little disruption to the overall operation – 24 proposals were received, with 20 of those approved. The amount of $986,959 has been committed to those 20 approved proposals.

The low return the NKDF is receiving on its investments is going to require a major policy decision regarding the amount of Grant funding we provide each year. As we met with the investment communities at the time of NKDF establishment, the Legacy concept was overwhelmingly endorsed. Do we now continue with a Legacy Fund or approve proposals at our current rate of approximately $1 million per year and deplete the fund? The legacy fund valued at $14,184,602 is managed by BC Investment Management Corporation at a rate of return that provides less than one-third of our current yearly investment goal for projects.

The Board currently has 10 members, including one representative from Alcan and one from the Provincial Government. Two of the original board members, Dave Merz and Bill Stewart, whose terms expired in February, were reappointed until July 31, 2005 to assist with the training of the new manager and to help the new board members learn the routine.

The Board held 5 regular meetings throughout the investment area as well as 6 conference calls.

I would like to express my appreciation to all board members for their support and dedication during a very busy year, as well as to Dan for taking on the Managerial position.

Original signed by

Dave Merz, Chair

2. Society Overview

2.1 Mandate

The Nechako-Kitamaat Development Fund (NKDF) Society's funding programs are designed:

> To support sustainable economic activity in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. NKDF spends the income from its long-term investments on programs and projects that meet each community's goals for economic development and community stability.

2.2 Background of the Fund

In 1997, the Government of British Columbia and Alcan Inc. each contributed $7.5 million to create the BC-Alcan Northern Development Fund. This BC-Alcan Agreement settled the legal issues between Alcan and the BC Government that arose from cancellation of the Kemano Completion Project. In January 1998 an advisory board for the Northern Development Fund was formed. Its job was to advise the government on how the Fund should be run to stimulate economic growth. In April 1998, the legislature passed Bill 5, the "BC-Alcan Northern Development Fund Act."

Enabled by this Act, and by the recommendations of the advisory board, the NKDF Society was incorporated on August 18, 1999. The Minister of Small Business and Economic Development appoints board members to represent the communities of the Nechako-Kitamaat area.

2.3 Investment Area

The investment area for the NKDF is normally limited to those communities with evidence of impacts from Alcan's Nechako Reservoir and Kemano power project. We encourage applications from local governments and legally incorporated non-profit organizations serving the following communities:

District of Vanderhoof	Nadleh Whut'en Band	Burns Lake Band
Fort Fraser	Kitamaat Village	Nee Tahi Buhn Band
Village of Fraser Lake	Stellat'en First Nation	Skin Tyee Band
Village of Burns Lake	Saik'uz First Nation	Cheslatta Carrier Nation
Ootsa Lake		

Applications may be accepted from other areas of Northwestern BC, provided the listed communities receive direct economic benefits from the project and demonstrate their support for the project.

2.4 *Guiding Principles of the Fund*

These principles have been updated to reflect the results of the 2003 BC Government performance review.

COMMUNITY ECONOMIC DEVELOPMENT	The NKDF will invest in community economic development projects and/or programs that are supported by the community, as long as they do not subsidize private business.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of the NKDF.
SUSTAINABLE EMPLOYMENT	A priority of the Fund will be to support long term employment - both full time and seasonal.
COMMUNITY INTERRELATIONSHIPS	The Fund recognizes the value of interrelationships between communities. Consideration will be given to proposals from outside the Nechako Region and Kitamaat Village if they demonstrate a benefit to those areas.
CLEAR AND ACCESSIBLE	The Fund will have policies and programs that are accessible with clearly defined evaluation criteria.
FIRST NATIONS' PARTICIPATION	First Nations' participation in the Fund will not prejudice the First Nation land claim process.
LOCAL CONTROL	The majority of members of the NKDF Board will reside in the investment area. The Board will determine the ongoing management of the Fund consistent with provincial government policy.
BENEFITTING FUND	The Fund is intended to create benefits through sustainable community economic development. It is not intended to be compensation for those who believe themselves to have been negatively affected by the Kitimat-Kemano Project, the creation of the Nechako Reservoir or the cancellation of the Kemano Completion Project.
COOPERATIVE VENTURES	The Fund can be utilized in cooperative ventures along with other funding sources.
NO DUPLICATION	The Fund will not duplicate but may augment existing economic development programs.
WORKING FUND	$5 million from the original $15 million Fund is in a working fund to invest in current grant programs.
LEGACY FUND	$10 million from the original $15 million Fund is in a legacy fund, which will be invested to reach $15 million. * Income from this $15 million will finance activities into the future.

* Fund investments are managed by the British Columbia Investment Management Corporation. Monies of the Northern Development Fund – to be used in support of the programs of the NKDF Society – are in investment vehicles that are generally conservative but that also provide some opportunities for growth.

2.5 Society Management

The NKDF Society is governed by a northern-based board of government appointees who live in the investment area and represent a range of interests. Board seats during the past year were held by:

- Gloria Catherall, Burns Lake
- Kirk Handrahan, BC Government
- Bill McLeod, Vanderhoof
- Dave Merz, Fort Fraser (Chair)
- Colleen Nyce, Alcan Primary Metal British Columbia
- Mike Robertson, Southside
- Ellis Ross, Kitamaat Village
- Nina Shaw, Kitamaat Village
- Bill Stewart, Prince George (Secretary/Treasurer)
- Linda Woodruff, Vanderhoof

Management services are provided through a part-time contract with Dan Boudreau, who is based in Prince George.

2.6 Government Relations

Since the Society's incorporation in 1999, the provincial government has transferred $4.36 million from the Northern Development Fund to the NKDF Society for its operations and programs. The balance of the original $15 million remains under the control of the BC Investment Management Corporation. (See financial statements for detailed balances of the Society's various accounts.)

The NKDF's Directors and Manager report to the Minister of Small Business and Economic Development.[1] The Minister is responsible for approving the Society's annual business plan and for appointing all Society directors. This reporting relationship is intended to ensure that the Society's actions continue to adapt to changes in provincial government priorities and direction.

In addition to the Society's relationship with the province, the Society also has relationships with federal government ministries and agencies such as Human Resources Development Canada, Western Economic Diversification and Indian and Northern Affairs in order to coordinate work on projects of mutual interest.

[1] Kirk Handrahan is the current Government employee responsible for the NKDF file, but the Society is ultimately responsible to the Minister of Small Business and Economic Development.

3. Goals and Achievements

This section is informed by the formal evaluation form completed by Society directors at the end of each fiscal year, where criteria are judged on a score of 1 to 4, with 1 being poor, 2 being fair, 3 being good and 4 being excellent. The goal is to achieve scores of 3 or 4, and to develop strategies to improve in areas that are scored only 1 or 2.

3.1 Operations

Board Operations:

There were five regular board meetings this year and six conference calls. The meetings were located in Fort Fraser/Fraser Lake, Kitamaat Village/Terrace, Grassy Plains, Vanderhoof and Smithers.

Change was the most important factor affecting board operations this year. During the past fiscal year, the Society has taken on a number of new Directors and a new Manager. Due to the high turnover, we applied to extend Dave Merz and Bill Stewart until July 31, 2005 in order to allow time to bring the new personnel up to speed.

In spite of the changes, there has been little or no disruption for existing clients or applicants. In July 2004, the office moved from Terrace to Prince George and all clients and stakeholders were notified of the move. The successful uptake of almost $1 million in grants this year is an indication that we have stayed focused on ensuring that our clients get served.

Management Services:

The manager's workload was substantial this year, partly due to the introduction of a new manager. The workload has been has been considerable due to the dramatic increase in applications and approvals since the core review in 2003, resulting in 48 active projects during the year. As the manager stepped into a new role with an unprecedented number of projects in progress, enough new applications came forward to fill each meeting as well as obliging the directors to hold six conference calls.

3.2 Programs

Community Grant Program:

This year saw a total of 24 new applications and 20 approvals. Although the number of approvals is down from last year by 30%, the amount invested was not. The average investment during the past two years is a little over $1 million per year.

The combined effect of expanding the investment area and relaxing the guidelines has brought about an increase in the uptake on our grants.

Throughout the year the manager and directors welcome feedback on how to make the guidelines more suitable for community needs. At the same time, the directors are also focussing on ensuring the fund is safeguarded by making cautious decisions that are acceptable to government, business people and communities outside the investment area, all of whom may raise legitimate issues about unfair subsidies or competition.

Detailed descriptions of the projects approved this year are in section 4.

Community Legacy Fund Program

In order to perpetuate NKDF programs into the future, only $5 million of the $15 million fund is to be used for a "working fund" to fund the grant program. The "Legacy Fund" is for the balance of Society funds, which are not to be spent, but are invested to grow to a value of $15 million. When the principal has reached that value, the amount of the fund exceeding inflation may be spent annually on operations and grants.

The Community Legacy Fund is currently held at the BC Investment Management Corporation and the value as of March 31, 2005 is $14,184,602.

Business Loan Program:

This was a short-lived program for the NKDF, cancelled as a result of the government-led performance review. The review ruled that the program creates a business subsidy, and is therefore contrary to current government policy. There are still three loans outstanding, valued at $61,707. The Society receives quarterly payments, with interest, from the Community Futures Development Corporations that manage the loans.

4. Grants Program Details

The following tables shows grant proposal statistics in this year and all prior years since the inception of the fund.

Year	Proposals received	Proposals approved	Proposals not approved	Total $ committed	Total $ paid
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	121	69	41	[redacted]	[redacted]

This table summarizes the grant projects approved or under contract during in the 2004-2005 fiscal year. Details about all projects under contract are on the following pages.

RECIPIENT	PROJECT	APPROVED	STATUS
Aboriginal Business Dev Centre	Youth Entrepreneur Camp	$ 1,000	Complete
Burns Lake Band	Gathering Place	$ 34,674	In Progress
Burns Lake Public Library Association	Library Expansion	$ 100,000	In Progress
District of Vanderhoof	Downtown Revitalization	$ 200,000	In Progress
District of Vanderhoof	Airport Development Plan	$ 15,000	In Progress
Duxbe Outfitter's Association of BC	Duxbe Outfitter's School	$ 10,000	Contract Pending
Haisla Fisheries Commission	Shellfish & Fisheries Project	$ 35,000	Contract Pending
Kitamaat Village Council	SCUBA Training	$ 32,000	Complete
Kitamaat Village Council	Marine Field Work	$ 4,000	Contract Pending
Kitamaat Village Council	Haisla Radio Station	$ 21,400	Contract Pending
Kitamaat Village Council	RV Park Planning	$ 35,000	Contract Pending
Lakes Dist. Sr Citizen's Housing Assn	Seniors Housing Project	$ 100,000	Contract Pending
Nai na kila Institute (Kitamaat)	Haisla Building Promotion	$ 49,000	In Progress
Northwest Tribal Treaty Nations	Investment Capital Forum	$ 8,000	Cancelled
Ootsa Lake Bible Camp Society	New Lodge Construction	$ 50,000	Contract Pending
Regional District of Bulkley Nechako	Fort Fraser Water Upgrade	$ 13,750	In Progress
Southside Historical Society	Farmers Market / Canning Shed	$ 50,000	Contract Pending
Southside Volunteer Fire Department	Underground Water Tank	$ 11,400	In Progress
Vanderhoof Rotary Club	Trail Bridge	$ 7,500	Contract pending
Village of Fraser Lake	Wharf Construction	$ 50,000	In Progress
		[redacted]	

This table summarizes proposals not approved in 2004-2005

Project	Date Projected	Amount Requested	Reason for Rejection
Economic Development Forum	20-May-04	$16,000	No evidence of support from business & community
Strategic Planning	20-May-04	$35,000	Insufficient evidence of benefit & not support from communities in catchment area
Medical Equipment Loan Service	21-Sep-04	$21,700	Medical equipment not a priority for NKDF at this time
Real Estate Leadership Program	21-Mar-05	$25,000	Community support limited and not as participant as high

6. Project Descriptions, sorted by location (East to West)

Vanderhoof Projects

Vanderhoof Revitalization Project — $295,000

District of Vanderhoof

This project was identified as one of the priorities for development during a community priority-setting event in 1998. Spearheaded by a volunteer group (Vanderhoof Revitalization Committee) under the auspices of the District of Vanderhoof, the downtown revitalization project has made dramatic improvements to the business environment of the downtown core. Funding partners to date include the Ministry of Municipal Affairs, BC Hydro and the District of Vanderhoof. One of the immediate outcomes of the project has been that several of the neighbouring businesses have upgraded their own properties to be in with the improvements. The first multi-year commitment made by the NKDF, this ambitious project is nearly complete. The second phase of the project is expected to complete in autumn of 2005.

Airport Development Plan — $15,000

District of Vanderhoof

This project, which will include both an economic strategy and an infrastructure upgrade plan, is expected to stimulate economic development at the airport. The airport has served the Stuart-Nechako region since 1938. The District of Vanderhoof sees potential for an improved airport facility to play an important role in broadening the community's

economic base. Project goals include diversification of the local economy, upgrading the airport infrastructure, encouraging new businesses to locate at the airport, and assisting businesses currently using the airport to expand their services. The balance of expenditure is funding 50% of the project, which will go to tender in the spring and complete in the summer of 2009.

[illegible] Trail Foot Bridge $7,500

Glendalemuir Rotary Club

The project is comprised of installing a walking bridge over Stony Creek, using a 60' old federal ammunition with guardrails. The footbridge will help extend the walking path from Riverside Park to the Glendalemuir Museum. Funding partners include the Glendalemuir Rotary Club, the BC Real Estate Foundation and the District of Glendalemuir. Aside from the jobs created by the construction phase of the project, this project is expected to contribute economic benefit to the community by helping to make the area more attractive for visitors. While a contract has not yet been signed for this project, it is expected to be complete during the summer of 2009.

Port Frances / Frances Lake Projects

[illegible] Construction $35,000

Village of Frances Lake

This increases the previously approved grant to a total of $185,000 for this project. Restoring the historic wharf on Frances Lake has been a high priority for the community for many years and fits in with the larger waterfront development plan. The completed wharf is expected to attract new private investment to the waterfront. $60K of interest were expressed by the strong community support and long term planning behind this project, but required that an engineering study be completed first to make sure the old pilings were usable. After a series of delays, the project finally got underway in the spring of 2009, with the pilings installed by the end of March. Funding partners include the Settlement Industry Community Economic Adjustment Initiative (SICEAI) and the Village of Frances Lake.

Port Frances Snowmobile Shed $12,700

Building Manitoba Regional Director

Port Frances has been requesting funding for a secondary salt from the INKSP and from the Canada-BC Infrastructure program for several years. Problems with the current salt have led to situations where the community has taken on road salts for as long as 10 weeks. Building a secondary salt addresses water safety, health and fire protection

[redacted]

[illegible]

[illegible]

[illegible]

to the project include: Lakes District Road Maintenance, Southside Health & Wellness Centre, Ondina Enterprises, Regional District of Bulkley Nechako, Karen Blair, Jeff and Rhonda Giesbrecht, and Conrad Amendt Trucking Ltd.

Kitamaat Projects

Shellfish & Fisheries Project **$16,000**

Kitamaat Village Council

Kitamaat Village Council and Haisla Fisheries Commission have established shellfish test sites with the intention of developing a shellfish business in the area. Due to the high salinity of the Douglas Channel the sites must be located many miles from Kitamaat. The purpose of this project is to construct two additional rafts and purchase some necessary equipment for the project, including a suitable boat with which to safely access the experimental plots. Aside from safety, this project will enhance economic development by making it possible for Haisla to compete for a variety of employment opportunities in the Kitamaat area, including research, fishery and forestry contracts. This project is not yet under contract, pending conditions to be met.

SCUBA Training **$32,600**

Kitamaat Village Council

The goal of this project is to purchase SCUBA gear and provide the training for four Haisla members to become Certified Scuba Divers. The certification is designed to provide all the training, experience and gear necessary to put the graduates to work full time in the Scuba Diving profession and capitalize on employment opportunities with Alcan, Eurocan, Forestry and Fisheries.

Marine Work **$4,800**

Kitamaat Village Council

This project is to assist with building capacity within the Haisla First Nation in the science and technical field, where lack of capacity has been an ongoing barrier. The project entailed a selected Haisla member with post-secondary science courses spending an allotted amount of time job shadowing with the Environmental Manager and time in Smithers working on various projects learning the inner workings of the

Ministry of Water, Land and Air Protection. The funding is to pay for boat costs for the selected recipient's travel to and from work sites. The project is not yet contracted, pending conditions to be met.

Haisla Radio Station **$21,430**

Kitamaat Village Council

The proponent plans to establish, with the help of the Northern Native Broadcasting network, a local radio station in Kitamaat Village. The purpose of the project is to create a communication vehicle that will pass on community news and notices, serve as an interactive vehicle for band members to communicate with public decision-makers, and allow cultural heritage programming with the objective of maintaining and revitalizing Haisla group identity. NKDF has approved the funding for capital costs and KVC will provide the remainder of the funding for the project, which is expected to complete in 2005.

Recreational Vehicle Park **$35,000**

Kitamaat Village Council

As a part of its plan to develop a sustainable economic base, the Haisla First Nation has identified ecotourism and soft adventure tourism as a significant economic sector that will contribute to the First Nation's broader economic and community development goals. As a part of this strategy, the Haisla plan to build a high-end RV Park adjacent to the MK Bay Marina currently owned and operated by the District of Kitimat. The project is anticipated to benefit the Haisla people by providing employment for public works staff and community members to build the infrastructure and facilities, and on-going employment of an estimated 2-3 people to run the business. The project is not yet under contract, pending conditions to be met.

Haisla Building Promotion **$49,000**

Na Na Kila Institute

The goal of this project is to promote and raise funds for the eventual building of the Haisla Cultural–Governance Building. The project, a partnership between Na Na Kila Institute and the Haisla Totem Pole Committee, will include a small contingency of Haisla representatives traveling to meet with various funding agencies, with the goal of attracting substantial amounts of funding to go toward the building of the Haisla Cultural–Governance Building. It is expected that the building, once created, will bring

increased visitation and economic benefits to Kitamaat area and BC's northwest. The project is expected to be complete by January 2006.

Regional Projects

Youth Entrepreneur Camp **$1,500**

Aboriginal Business Development Centre

In the summer of 2004, ABDC organized and hosted an entrepreneurial training program for Aboriginal Youth aged 13 to 15. The camp was for youth interested in learning more about Aboriginal culture and entrepreneurship. NKDF provided the funding toward sponsorship of awards for entrepreneurial projects and towards the printing of T-shirts for graduate participants.

Guide Outfitter's School **$10,000**

Guide Outfitter's Association of British Columbia

The GOABC has featured a Professional Guide Outfitter Training School since 1968. The goal of the project is to train twelve adult students to work in the Guide Outfitting Industry, with all graduating students to be employed upon completion of the school. The training qualifies graduates to work as Guide Outfitters, Guides Assistants, or Wranglers. The NKDF funding is subject to participants being selected from within the investment area. This project is not yet under contract, pending conditions to be met.

Investment Capital Forum **$9,000**

Northwest Tribal Treaty Nations

Northwest Tribal Treaty Nations hosted two investment forums with the purpose of developing a Northern Region First Nation's Economic Strategy. One forum was held in Terrace and one in Smithers. The NKDF investment was specifically to encourage the participation and support the travel costs to the Terrace forum for representatives of the NKDF investment area communities. No funding was drawn down for this project.

6. Financial Highlights as of March 31, 2005

2004-2005 Income and Expenses	Budgeted	Actual
Administration expenses	$111,126	$95,230
Grant payments (approved $.987 million)[2]	$1,424,160	$532,551
Investment income	$109,073	$119,994
Loans, principal and interest repaid	$33,873	$47,417

Note to administration expenses: Administration costs were lower than expected because two representatives kindly served at their employer's expense (BC Government and Alcan). Manager fees were $63,821, director honoraria were $9,225, travel and meeting costs were $9,642 and the balance of $12,542 was for accounting, advertising and office expenses.

Note to grants: Grant approvals totalled $986,959, but much of this will be paid out during the building season of the summer of 2005.

Note to investment income: NKDF investments are held at the Nechako Valley Credit Union and Phillips Hager and North (PHN). Most of the gains recorded this year were on equities and bond funds held with PHN.

Note to loans: Since the loans program has been cancelled, no new payments are made. The report shows the principal and interest that has been repaid to NKDF accounts this year.

Account Balances as of March 31, 2005	
Loan funds receivable	$61,707
Credit Union accounts	$1,464,884
Phillips, Hager & North investments	$1,350,494
Less grant commitments outstanding	-$1,133,097
Total NKDF assets	**$1,743,988**

The balance of the original $15 million dollar contributions from Alcan and the BC Government are held in the Northern Development Fund, managed by the British Columbia Investment Management Corporation. The market value of this investment account as of March 31, 2005 was $14,184,602, so the combined assets of the NKDF and the Northern Development Fund total **$15,928,559**

Annual Audit: The annual audit of the NKDFS was completed in May 2005 by Edmison-Mehr Chartered Accountants (Smithers). The statements are attached as Appendix A.

[2] Budgeted amount includes grant approvals from 2004-2005 as well as grants owing from prior years.

Appendix A: Audited Financial Statements